

PRELIMINARY REVIEW

of the

FY 2006-07

Executive Budget Recommendation



Mitchell E. Bean, Director
February 14, 2006



517-373-8080

February 14, 2006

The FY 2006-07 Executive Budget Recommendation calls for \$41.9 billion in adjusted gross appropriations. This includes \$9.3 billion in General Fund/General Purpose (GF/GP), \$18.7 billion in restricted funds, and \$13.4 billion in federal funds. Of the \$27.9 billion of state resources available in FY 2006-07, \$16.0 billion (57.19% of the total) is designated for payments to local units of government and \$1.1 billion is designated for revenue sharing payments. (Article IX, Section 30 of Michigan's *Constitution* requires that at least 48.97% of spending from state resources must be paid to local government.)

The Executive recommendation is based on revenue enhancements of \$520.6 million. Proposed enhancements and savings assumed in the budget include increasing state resources \$111.2 million by eliminating tax expenditures and assuming \$227 million of revenue from proposals that require federal law changes or federal waivers. One-time revenue assumed in the budget includes land sales, fund shifts, and \$15 million from interest earnings assumed from tobacco settlement revenue securitization.

This preliminary review provides a quick look at the Executive Budget Recommendation for FY 2006-07. The House Fiscal Agency's full **Review and Analysis** of the Governor's FY 2006-07 Budget Proposal will be available in approximately two weeks, and will contain a detailed analysis and discussion, by budget area, of major budget and boilerplate changes proposed in the Executive's FY 2006-07 budget.

We hope this preliminary information will be useful to Members of the House of Representatives. A list of House Fiscal Agency staff, noting Fiscal Analysts' specific budget assignments is included. Please do not hesitate to call me, or the Fiscal Analyst responsible for a specific budget area, if you have questions regarding this information.

A handwritten signature in black ink that reads "Mitchell E. Bean". The signature is written in a cursive, flowing style.

Mitchell E. Bean
Director

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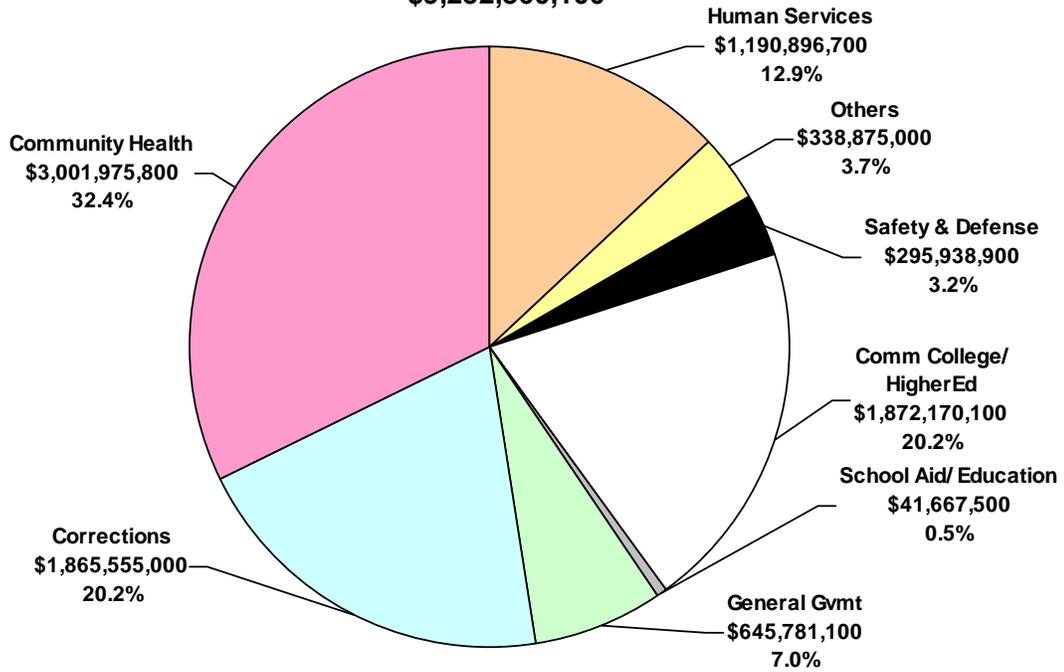
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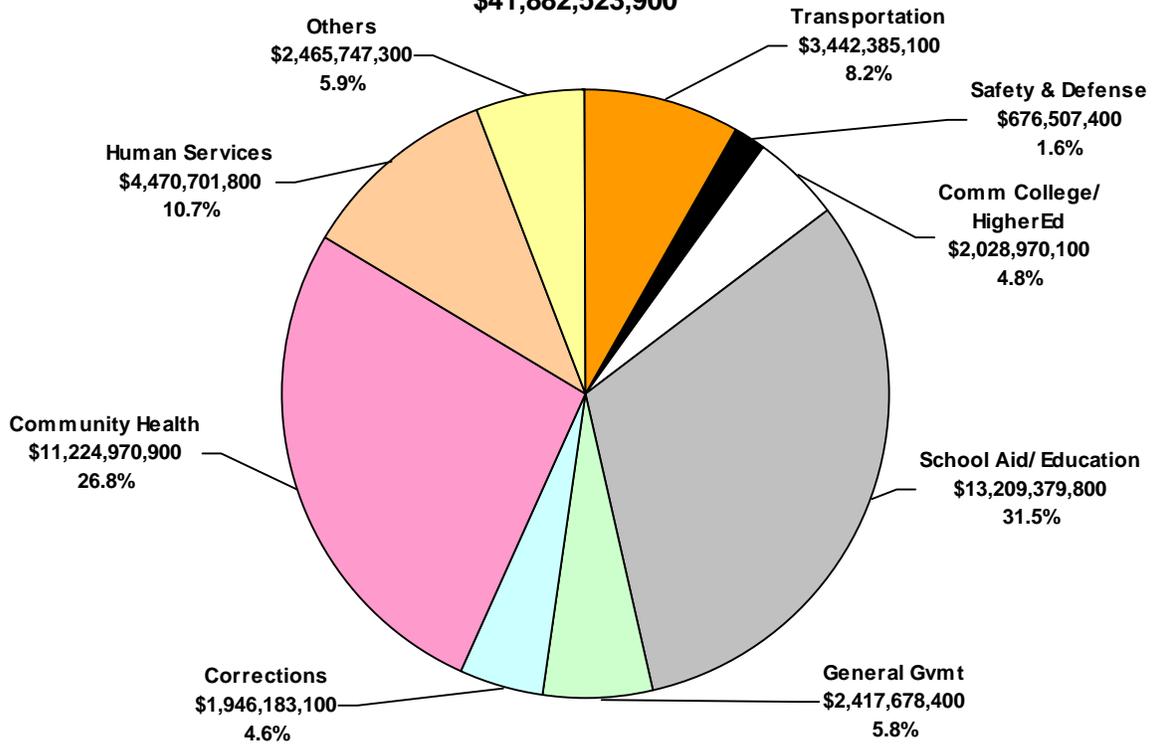
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HFA STAFF LIST

**FY 2006-07 GF/GP Executive Recommendation
\$9,252,860,100**



**FY 2006-07 Adjusted Gross Executive Recommendation
\$41,882,523,900**



**CHANGE IN ADJUSTED GROSS APPROPRIATIONS
FY 2005-06 Year-to-Date and FY 2006-07 Executive Recommendation**

The Executive Budget Recommendation for FY 2006-07 increases adjusted gross appropriations by \$1,035.5 million (2.5%), GF/GP appropriations by \$271.3 million (3.0%), and state restricted appropriations by \$230.2 million (1.2%) from year-to-date FY 2005-06 levels. Total state spending from state sources increases \$501.5 million (1.8%).

	Millions of Dollars			
	<u>Year-to-Date FY 2005-06</u>	<u>Executive Recommendation FY 2006-07</u>	<u>Amount Change</u>	<u>% Change</u>
General Fund/General Purpose	\$8,981.6	\$9,252.9	\$271.3	3.0%
State Restricted	<u>18,509.3</u>	<u>18,739.5</u>	<u>230.2</u>	1.2%
Total State Spending from State Sources	\$27,490.9	\$27,992.4	\$501.5	1.8%
Federal	12,933.4	13,411.6	478.2	3.7%
Local	342.8	395.2	52.4	15.3%
Private	<u>79.9</u>	<u>83.3</u>	<u>3.4</u>	4.3%
Total Adjusted Gross	\$40,847.0	\$41,882.5	\$1,035.5	2.5%

General Fund/General Purpose: The state's primary operating fund; the portion of the state's General Fund that does not include restricted revenue

State Restricted: State revenue dedicated to a specific fund; revenue which results from state mandates or initiatives

Adjusted Gross: Total of all line item appropriations; gross appropriations less (or minus) interdepartmental grants (IDGs) and intradepartmental transfers (IDTs)

RESOURCES USED IN THE EXECUTIVE BUDGET RECOMMENDATION

Resources used to fund General Fund/General Purpose, School Aid Fund, Medicaid Benefits Trust Fund, and Merit Award Trust Fund expenditures in the Executive Budget Recommendation are reported below.

FY 2006-07 EXECUTIVE RECOMMENDATION ESTIMATES GENERAL FUND/GENERAL PURPOSE

(Millions of Dollars)

Beginning balance	\$79.8
FY 2006-07 consensus revenue estimate	\$8,377.2
Proposed elimination of tax expenditures	\$88.4
Proposed CVT revenue sharing freeze	\$402.2
County revenue sharing savings	\$198.0
Interest earnings from securitization	\$15.0
Proposed increase in liquor license fee	\$23.0
Proposed transfer of Financial Institutions Fund to GF	\$2.8
Proposed transfer of State Services Fee Fund to GF	\$6.0
Proposed land sales	\$28.0
Non-use of pharmaceutical credit	\$10.0
Proposal to deposit Agriculture Equine Industry Development Fund in GF/GP	\$2.0
Proposed use of SAF to reduce short term borrowing cost	<u>\$22.8</u>
Total Resources	\$9,255.2
FY 2006-07 Executive Recommendation Expenditures	<u>(\$9,252.9)</u>
Ending Balance	\$2.3

Beginning Balance: Beginning balance estimates assume that recommended FY 2005-06 supplemental (\$33.2 million GF) is enacted.

FY 2006-07 Consensus Revenue Estimate: Revenue estimates agreed to by the Consensus Conference in January 2006.

Proposed Elimination of Tax Expenditures: The Executive recommends that 15 tax subsidies be eliminated. See page 6 for details.

Interest Earnings From Securitization: Interest on bond proceeds.

Proposed Increase in Liquor License Fee: Proposed increase in the annual fees license holders pay would be used to allow a \$23.0 million lapse from the Liquor Purchase Fund to GF/GP.

Proposed Transfer of Financial Institutions Fund to GF: Transfer from estimated fund balance.

Proposed Transfer of State Services Fee Fund to GF: Transfer from estimated fund balance.

Proposal to Deposit Agriculture Equine Industry Development Fund in GF/GP: Redirects \$2.0 million from casino tax to GF/GP.

Proposed Use of SAF to Reduce Short Term Borrowing Cost: Would use additional SAF revenue from proposed tax expenditure elimination to replace a portion of GF cost for debt on short term notes.

FY 2006-07 EXECUTIVE RECOMMENDATION ESTIMATES
SCHOOL AID FUND
(Millions of Dollars)

Beginning fund balance	\$80.2
FY 2006-07 consensus revenue estimate	\$11,591.1
Proposed elimination of tax expenditures	\$22.8
Proposed use SAF to reduce short term borrowing cost	(\$22.8)
Federal aid	\$1,412.7
General Fund transfer	<u>\$35.0</u>
Total Resources	\$13,119.0

Beginning Balance: Beginning balance estimates assume that recommended FY 2005-06 supplemental (\$41.5 million GF) is enacted.

FY 2006-07 Consensus Revenue Estimate: Revenue estimates agreed to by the Consensus Conference in January 2006.

Proposed Elimination of Tax Expenditures: The Executive recommends that 15 tax subsidies be eliminated. See page 6 for details.

Proposed Use of SAF to Reduce Short Term Borrowing Cost: Executive recommendation proposes to use additional SAF revenue from proposed tax expenditure elimination to replace a portion of GF cost for debt on short term notes.

Federal Aid: Primarily federal grants and federal money appropriated by the federal Elementary and Secondary Education Act.

FY 2006-07 EXECUTIVE RECOMMENDATION ESTIMATES
MEDICAID BENEFITS TRUST FUND
(Millions of Dollars)

Beginning balance	\$26.7
Estimated interest	\$4.1
Estimated deposit:	
Revenue from cigarette tax	\$352.9
Revenue from other tobacco products tax	<u>\$25.5</u>
Available Funds	\$409.2
Withdrawal in FY 2006-07 Executive Recommendation	<u>(\$409.2)</u>
FY 2006-07 Total Ending Balance	\$0.0

**FY 2006-07 EXECUTIVE RECOMMENDATION ESTIMATES
TOBACCO SETTLEMENT REVENUE/EXPENDITURES**

(Millions of Dollars)

MERIT AWARD TRUST FUND REVENUE

Tobacco settlement revenue	\$283.6
Unreserved fund balance from prior year	\$6.2
Interest	<u>\$3.0</u>
Revenue Subtotal	\$292.8
Community Health: Medicaid base	(\$131.2)
Community Health: Nursing home personal needs allowance	(\$5.0)
Community Health: Aging – respite care	(\$5.0)
Education: MEAP administration/testing	\$0.0
Higher Education: University operations	(\$9.5)
Higher Education: Merit award	(\$127.7)
Higher Education: Tuition incentive program	(\$6.6)
Higher Education: Nursing scholarships	(\$4.0)
Attorney general administration	(\$0.4)
Treasury: Merit award/TIP administration	(\$2.4)
Treasury: Michigan education savings plan	<u>(\$1.0)</u>
Expense Subtotal	(\$292.8)
Merit Award Trust Fund Balance	\$0.0

**FY 2006-07 EXECUTIVE RECOMMENDATION
REVENUE CHANGES**

	Millions of Dollars		
	<u>GF/GP</u>	<u>SAF</u>	<u>Total</u>
<i>International and Certain Interstate Communications</i> Eliminate use tax exemption for WATTS services, interstate private networks, and international calls.	\$14.8	\$7.4	\$22.2
<i>Interstate Trucks and Trailers</i> Eliminate sales and use tax exemption for trucks and trailers if 10% of miles traveled are outside of the state. Proposal would tax the Michigan share of usage.	11.0	5.5	16.5
<i>Driver Education Vehicles</i> Eliminate sales and use tax exemption for driver education vehicles purchased by public or parochial schools.	0.2	0.4	0.6
<i>Purchases Made by Department of Corrections Inmates</i> Eliminate sales tax exemption for purchases at prison stores.	0.2	0.4	0.6
<i>Insurance Company "In-Lieu-of-Other-Taxes"</i> Modify SBT provision to ensure that insurance companies are subject to sales and use taxes as opposed to the SBT in lieu of other taxes.	2.0	1.0	3.0
<i>Oil and Gas Royalty</i> Eliminate deduction from the income tax of certain indirect costs (such as depreciation) from adjusted gross income.	2.8	1.0	3.8
<i>Gain From Sale of Inherited Assets</i> Eliminate the stepped-up basis and impose the income tax on the gain of assets inherited from estates valued at more than \$1 million. Stepped-up basis refers to the gain accrued during a decedent's life.	4.6	1.6	6.2
<i>Create "Affiliate Nexus" Standard for Nonresident Affiliates</i> The "affiliate nexus" standard would disregard the legal business form in opposing nexus for nonresident affiliate companies without a physical presence in Michigan. This change would affect SBT and use tax revenue.	12.0	3.0	15.0
<i>Limit Credits and Deductions for PEOs</i> Professional employer organizations (PEOs) manage the employment and human resource functions of other businesses and lease employees to clients. Proposal would eliminate the use of PEOs to reduce tax liability.	15.0	0.0	15.0
<i>Apply Small Business Eligibility Test to LLCs</i> Eligibility for the small business credit includes income limits. These limits apply to all business owners except limited liability companies (LLCs). Proposal would apply the eligibility requirements to LLCs.	0.8	0.0	0.8
<i>Apply Small Business Eligibility Test to Out-of-State Affiliates</i> Members of a group of companies with common ownership are required to combine their activities for the purpose of qualifying for the small business credit. Eligibility rules differ for Michigan-owned and out-of-state-owned businesses. Proposal would apply the same eligibility rules to out-of-state affiliates.	3.0	0.0	3.0
<i>Eliminate Deduction for Gain from Entity Not Taxable in Michigan</i> Business income would only be deductible if the out-of-state entity is taxable in Michigan.	8.3	0.0	8.3

**FY 2006-07 EXECUTIVE RECOMMENDATION
REVENUE CHANGES**

	Millions of Dollars		
	<u>GF/GP</u>	<u>SAF</u>	<u>Total</u>
<i>Limit Certain "Flow-Through" Entity Deductions</i> Prevent shifting unrealized business losses and credits from "flow-through" and subsidiary entities.	3.8	0.0	3.8
<i>Exempt Certain Commercial Rental Property and Impose Specific Tax</i> Decreases in occupancy rates for commercial rental property are treated as losses, which reduces the taxable value. Increases in occupancy rates are not treated as additions, and are subject to the annual taxable value cap. Proposal would exempt certain commercial rental property from the property tax and impose a specific tax.	0.0	2.5	2.5
<i>Increase Penalties for Certain Delinquent Taxes</i> Restore penalties for late payments of certain income tax withholding, sales tax, and use tax payments.	4.9	0.0	4.9
<i>Publicize Names of Major Delinquent Taxpayers</i> Implement a "Cybershame" program, which would allow the names of major delinquent taxpayers (over \$25,000 in tax liability) to be published.	<u>5.0</u>	<u>0.0</u>	<u>5.0</u>
Total	\$88.4	\$22.8	\$111.2

ADJUSTMENTS TO FY 2006-07 EXECUTIVE RECOMMENDATION

IF THE LEGISLATURE CHOOSES NOT TO ACT ON EXECUTIVE-PROPOSED REVENUE ENHANCEMENTS

	<u>Federal</u>	<u>Local</u>	<u>Private</u>	<u>Restricted</u>	<u>GF/GP</u>	<u>Total</u>
FY 2006-07 Executive Recommendation	\$13,411,574,300	\$395,216,600	\$83,345,200	\$18,739,527,700	\$9,252,860,100	\$41,882,523,900
<u>Executive-Proposed Revenue Enhancements</u>						
<i>Elimination of Tax Expenditures:</i> Executive Recommends that 15 tax subsidies be eliminated. See page 6 for details.				(22,800,000)	(83,400,000)	(106,200,000)
<i>Publicize Names of Major Delinquent Taxpayers</i>					(5,000,000)	(5,000,000)
<i>Increase Liquor License Fee:</i> Proposed increase in the annual fees license holders pay would be used to allow a \$23.0 million lapse from the Liquor Purchase Fund to GF/GP.					(23,100,000)	(23,100,000)
<i>Land Sales:</i> Forest Land (\$18 million), 15 surplus properties from State Police tower system, Western Wayne (former correctional facility), Ottawa Street (Lansing), Southgate (former DCH facility), vacant facility and land at Maxey training School.					(28,000,000)	(28,000,000)
<i>Hospital Provider Tax:</i> Increase in hospital provider tax rate from 1.8% to 2.8%; restricted revenue used to finance an increase in Medicaid hospital DRG rates paid through health plans. State also retains \$20 million from the increased hospital tax revenue to offset GF/GP costs and an additional \$10 million from the health plan provider tax revenue that also increases.	(178,215,700)			(167,881,700)		(346,097,400)
<i>Third Party Liability Recovery Savings:</i> Require all insurers doing business in Michigan to report health coverage for Michigan residents. This will enable the state to better identify Medicaid eligible persons with other health insurance and avoid or recover payments for services provided by the Medicaid program.			(11,724,000)			(11,724,000)
<i>Children of Veterans Tuition Grant Program:</i> Proposed income tax check-off contributions.			(500,000)			(500,000)
Adjusted Total	\$13,233,358,600	\$395,216,600	\$71,121,200	\$18,548,846,000	\$9,113,360,100	\$41,361,902,500
Difference From Executive Recommendation	(\$178,215,700)	\$0	(\$12,224,000)	(\$190,681,700)	(\$139,500,000)	(\$520,621,400)

The Executive Recommendation is based on revenue enhancements, most of which require legislative action. In the table above, proposed revenue enhancements are shown with estimates of the impact on the Executive Recommendation if the Legislature chooses not to act.

**FY 2006-07 EXECUTIVE RECOMMENDATION
PROPOSALS REQUIRING FEDERAL LAW CHANGE OR FEDERAL WAIVER**

	<u>Increased Federal Funds</u>	<u>Increased Restricted Funds</u>	<u>GF\GP Savings</u>
Michigan First HealthCare Plan: Anticipated federal funding made available through a proposed federal waiver to extend basic health insurance coverage for up to 550,000 low income uninsured persons in Michigan.	\$200,000,000		
Federal Rebates for Pharmaceuticals Paid for Through Health Plans: Assumes savings from a federal law change authorizing Medicaid drug rebates for medications provided to Medicaid beneficiaries enrolled in health plans. Currently rebates are applicable only to persons in the fee-for-service system.	(\$57,000,000)		(\$43,000,000)
Carve In of Anti-Psychotic and Anti-Depressant Medications: Seeks federal approval to transfer Medicaid funding for anti-depressant medications to health plans and funds for anti-psychotic prescription drugs to community mental health prepaid inpatient health plans. The GF/GP savings result from increases in the Mental Health and Health Plan provider taxes.	\$8,541,600	\$14,997,600	(\$8,369,600)
Total	\$151,541,600	\$14,997,600	(\$51,369,600)

FY 2006-07 ECONOMIC INCREASES BY DEPARTMENT/AGENCY

(Thousands of Dollars)

	<u>Employee-Related Economics</u>		<u>Building Occupancy Charges & Rent</u>		<u>Food & Fuel at 24-Hour Institutions</u>		<u>Total</u>	
	<u>Gross</u>	<u>GF/GP</u>	<u>Gross</u>	<u>GF/GP</u>	<u>Gross</u>	<u>GF/GP</u>	<u>Gross</u>	<u>GF/GP</u>
Agriculture	\$2,396.4	\$1,102.6	\$80.6	\$57.8	\$0.0	\$0.0	\$2,477.0	\$1,160.4
Attorney General	3,200.2	1,570.5	(13.5)	(13.5)	0.0	0.0	3,186.7	1,557.0
Civil Rights	340.4	340.4	0.0	0.0	0.0	0.0	340.4	340.4
Civil Service	947.7	219.4	(32.5)	(9.8)	0.0	0.0	915.2	209.6
Community Health	23,508.4	14,030.1	(234.5)	(163.0)	397.2	298.7	23,671.1	14,165.8
Corrections	80,368.0	78,626.9	(105.7)	(105.7)	3,112.2	3,112.2	83,374.5	81,633.4
Education	1,266.2	133.7	(60.5)	(14.2)	0.0	0.0	1,205.7	119.5
Environmental Quality	5,516.0	1,061.7	59.1	21.3	0.0	0.0	5,575.1	1,083.0
Executive Office	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
History, Arts, and Libraries	729.5	653.4	253.1	253.1	0.0	0.0	982.6	906.5
Human Services	41,870.1	18,520.3	(2,293.2)	(732.4)	113.2	61.9	39,690.1	17,849.8
Information Technology*	6,460.0	2,450.6	716.6	716.6	0.0	0.0	7,176.6	3,167.2
Judiciary	2,057.3	1,950.6	146.0	46.8	0.0	0.0	2,203.3	1,997.4
Labor and Economic Growth	17,241.0	462.0	409.6	241.1	0.0	0.0	17,650.6	703.1
Legislature	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Management and Budget	2,555.5	951.7	42.9	(229.0)	0.0	0.0	2,598.4	722.7
Military and Veterans Affairs	3,828.7	2,169.8	0.0	0.0	121.2	80.8	3,949.9	2,250.6
Natural Resources	6,134.6	391.4	39.5	2.9	0.0	0.0	6,174.1	394.3
State	5,872.9	4,398.6	267.3	213.8	0.0	0.0	6,140.2	4,612.4
State Police	18,667.4	15,472.4	982.1	899.6	0.0	0.0	19,649.5	16,372.0
Transportation	8,169.0	0.0	927.3	0.0	0.0	0.0	9,096.3	0.0
Treasury	7,097.6	1,706.1	535.7	438.5	0.0	0.0	7,633.3	2,144.6
TOTAL	\$238,226.9	\$146,212.2	\$1,719.9	\$1,623.9	\$3,743.8	\$3,553.6	\$243,690.6	\$151,389.7

*Note: Table shows Department of Information (DIT)-related economics on its own line. In actuality, DIT economics are budgeted in the various department/agency budgets.

STATE BUILDING AUTHORITY PROJECTS: FY 2006-07 EXECUTIVE RECOMMENDATION

	<u>Project</u>	<u>Total Cost</u>	<u>State Share</u>	<u>School Share</u>
<u>Construction Authorizations</u>				
Kirtland Community College	Campus Wide Water Well System	\$1,005,000	\$502,500	\$502,500
Management and Budget	State Facility Preservation, Phase III	50,000,000	50,000,000	0
Natural Resources	State Parks Improvement Projects	<u>20,000,000</u>	<u>20,000,000</u>	<u>0</u>
	Subtotal Construction	\$71,005,000	\$70,502,500	\$502,500
<u>Planning Authorizations</u>				
<u>State Agencies</u>				
Management and Budget	Regional Economic Development Initiative	<u>\$100,000,000</u>	<u>\$100,000,000</u>	<u>\$0</u>
	Subtotal State Agencies	\$100,000,000	\$100,000,000	\$0
<u>Universities</u>				
Eastern Michigan University	Pray-Harrold Building Renovations	\$52,695,000	\$39,521,300	\$13,173,700
Lake Superior State University	South Hall Reconstruction	10,000,000	7,500,000	2,500,000
Northern Michigan University	Cohodas Building Adaptive Renovations	15,584,000	11,688,000	3,896,000
Oakland University	Engineering Center	64,357,700	40,000,000	24,357,700
University of Michigan - Dearborn	Teacher Preparation/Child Development Center	<u>6,000,000</u>	<u>4,500,000</u>	<u>1,500,000</u>
	Subtotal Universities	\$148,636,700	\$103,209,300	\$45,427,400
<u>Community Colleges</u>				
Delta College	Health & Wellness Programs - F Wing	\$11,299,000	\$5,649,500	\$5,649,500
Grand Rapids Community College	Lifelong Learning Center	21,900,000	10,950,000	10,950,000
Henry Ford Community College	Instructional Technology & Infra. Improvements	12,160,000	6,080,000	6,080,000
Kalamazoo Valley Community College	Texas Township Campus Expansion	7,065,000	3,532,500	3,532,500
Kellogg Community College	C Classroom Building Renovations	4,000,000	2,000,000	2,000,000
Lake Michigan College	Emerging Technologies Initiative	7,000,000	3,500,000	3,500,000
Monroe County Community College	Classroom Technology & Environmental Upgrades	2,200,000	1,100,000	1,100,000
Mott Community College	Library Renovations	8,200,000	4,100,000	4,100,000
Muskegon Community College	Museum/Art Project	10,000,000	5,000,000	5,000,000
North Central Michigan College	University and Science Center	16,323,700	8,161,800	8,161,900
Oakland Community College	Building A Addition/Renovations	32,065,000	16,032,500	16,032,500
St. Clair County Community College	Health & Human Services Center	7,000,000	3,500,000	3,500,000
Wayne County Community College	Northwest Campus Replacement	<u>42,000,000</u>	<u>21,000,000</u>	<u>21,000,000</u>
	Subtotal Community Colleges	\$181,212,700	\$90,606,300	\$90,606,400
	Grand Total	\$500,854,400	\$364,318,100	\$136,536,300

FY 2006-07 EXECUTIVE BUDGET HIGHLIGHTS
Major Features and Changes Proposed

BUDGET AREA: EDUCATION

Community Colleges

FY 2006-07

Analyst: Viola Bay Wild

	FY 2005-06 Year-to-Date	FY 2006-07 Executive	Difference: Exec to FY 2005-06 YTD	
			Amount	%
IDG/IDT	\$0	\$0	\$0	0.0
Federal	0	0	0	0.0
Local	0	0	0	0.0
Private	0	0	0	0.0
Restricted	0	0	0	0.0
GF/GP	281,327,400	287,129,400	5,802,000	2.1
Gross	\$281,327,400	\$287,129,400	\$5,802,000	2.1
FTEs	0.0	0.0	0.0	0.0

Note: FY 2005-06 figures include the results of supplementals and Executive Order (EO) actions through January 30, 2006.

Operations Funding

Increases each community college's operations funding by 2.0 percent for a total increase of \$5.5 million GF/GP.

Renaissance Zone Tax Reimbursement

Increases funding for the reimbursement to colleges with renaissance zones in their districts by \$300,000 GF/GP. The additional funding represents a 10.3 percent increase and is based on expected increases in the taxable value of property within the renaissance zones and the resultant loss of revenue to the colleges.

Similar Treatment to Four Year Institutions Legislative Intent

Deletes boilerplate language stating legislative intent that if state-supported four year universities receive additional appropriations in excess of the governor's recommendation, community colleges shall receive a similar increase.

Education

FY 2006-07

Analysts: Mary Ann Cleary and Bethany Wicksall

	FY 2005-06 Year-to-Date	FY 2006-07 Executive	Difference: Exec to FY 2005-06 YTD	
			Amount	%
IDG/IDT	\$0	\$0	\$0	0.0
Federal	70,519,400	67,570,600	(2,948,800)	(4.2)
Local	5,444,000	5,985,600	541,600	9.9
Private	1,898,600	2,914,400	1,015,800	53.5
Restricted	23,513,200	7,227,000	(16,286,200)	(69.3)
GF/GP	16,100,400	6,667,500	(9,432,900)	(58.6)
Gross	\$117,475,600	\$90,365,100	(\$27,110,500)	(23.1)
FTEs	423.5	435.5	12.0	2.8

Note: FY 2005-06 figures include the results of supplementals and Executive Order (EO) actions through January 30, 2006.

MEAP Testing Contract

Transfers the MEAP contract for student testing to the School Aid Act, reducing federal funds by \$8,425,200 and reducing state restricted funds by \$16,359,300.

School Breakfast Program

Transfers the \$9,625,000 School Breakfast Program and related boilerplate to the School Aid Fund in the School Aid Act.

Federal and Private Grants

Authorizes the expenditure of up to \$2.0 million in additional Federal funds and up to \$1.0 million in additional private funds in the event that the Department receives new grants mid-year.

Best Practices Study

Deletes a boilerplate earmark of \$350,000 to State Board of Education to study and advise the Legislature and Governor on local, state, and national education best practices.

Middle School Math Project

Eliminates funding and related boilerplate for two grants of \$50,000 each for Wayne State University and Michigan Virtual High School for providing professional development or enhanced curricula in middle school mathematics.

Teacher Preparation Programs

Eliminates a \$75,000 appropriation for Central Michigan University's Alternative Route to Certification Program.

Higher Education

FY 2006-07

Analyst: Kyle I. Jen

	FY 2005-06 Year-to-Date	FY 2006-07 Executive	Difference: Exec to FY 2005-06 YTD	
			Amount	%
IDG/IDT	\$0	\$0	\$0	0.0
Federal	3,500,000	3,000,000	(500,000)	(14.3)
Local	0	0	0	0.0
Private	0	0	0	0.0
Restricted	153,500,000	153,800,000	300,000	0.2
GF/GP	1,577,443,900	1,585,040,700	7,596,800	0.5
Gross	\$1,734,443,900	\$1,741,840,700	\$7,396,800	0.4
FTEs	1.0	1.0	0.0	0.0

Note: FY 2005-06 figures include the results of supplementals and Executive Order (EO) actions through January 30, 2006.

State University Operations

Increases appropriations for three major research universities (Michigan State, University of Michigan-Ann Arbor, and Wayne State) by 2.0% across the board (\$16.3 million GF/GP). Increase appropriations for remaining 12 universities by 1.0% across the board (\$6.1 million GF/GP), with an additional 1.0% distributed to those 12 universities based on four components (\$1.5 million GF/GP each):

- Affordability: proportionate to amount of state/tuition revenue per student below 12-university average
- Accessibility: proportionate to percentage of state/tuition revenue expended on financial aid
- Participation: proportionate to percentage of undergraduate students receiving Pell Grant awards
- Degree Completion: proportionate to number of degrees granted, with math/science/engineering/health degrees weighted double general degrees

Tuition Grant Program Phase-Out

Eliminates appropriation of \$58.8 million (\$54.8 million GF/GP; \$4.0 million restricted) for Tuition Grant Program to reflect eventual phase-out of program; adds \$29.5 million GF/GP to State Competitive Scholarship line item to pay for costs of Tuition Grant awards to students current receiving awards; net savings is \$29.3 million. Maximum award level would be lowered from \$2,000 to State Competitive Scholarship level of \$1,300; awards to graduate students would be eliminated immediately.

State Competitive Scholarships

Replaces \$3.0 million appropriated for State Competitive Scholarships from MHEAA Operating Fund in FY 2005-06 with GF/GP funds; reduces appropriation by \$500,000 to reflect federal funds no longer available.

Merit Award Program

Increase appropriation from Merit Award Trust Fund by \$1.3 million (1.0%) to fund projected costs of \$2,500 Merit Awards and middle school exam-based awards.

Children of Veterans Tuition Grant Program

Removes \$500,000 GF/GP for half-year costs of program shifted from Military and Veterans Affairs budget; adds \$1.0 million in restricted funding expected from income tax check-off contributions.

MiLEAD Initiative

Adds \$5.0 million from Civilian Conservation Corps Endowment Fund to pay for costs of proposed Michigan Leadership, Education, and Development (MiLEAD) Initiative; grants would be made to public colleges/universities to implement residential programs for at-risk youth to earn college credit while they perform conservation-based community service.

Tuition Incentive Program

Increases appropriation by \$2.0 million GF/GP (16.7%) to fund projected cost increase for financial aid program due to growing number of students certified as eligible for program as a result of Medicaid eligibility.

School Aid

FY 2006-07

Analysts: *Mary Ann Cleary and Bethany Wicksall*

	FY 2005-06	FY 2006-07	Difference:	
	Year-to-Date	Executive	Exec to FY 2005-06 YTD	
			Amount	%
IDG/IDT	\$0	\$0	\$0	0.0
Federal	1,392,587,300	1,412,736,900	20,149,600	1.4
Local	0	0	0	0.0
Private	0	0	0	0.0
Restricted	11,301,850,000	11,671,277,800	369,427,800	3.3
GF/GP	62,714,000	35,000,000	(\$27,714,000)	(44.2)
Gross	\$12,757,151,300	\$13,119,014,700	\$361,863,400	2.8
FTEs				

Note: FY 2005-06 figures include the results of supplementals and Executive Order (EO) actions through January 30, 2006.

Foundation Allowance

Provides a Basic Foundation Allowance of \$7,075, which is an increase of \$200 per pupil or 2.9%. The Executive proposes that \$25 of the increase be paid in FY 2005-06. The total cost of the increase is \$347.4 million.

Includes \$12.0 million to school districts for foundation allowance adjustments. To qualify for an adjustment districts must have levied mills in 1993 to finance an operating deficit. The districts eligible for an adjustment are Clintondale, Pontiac, Madison, Detroit, Garden City, Highland Park, and Huron Schools.

Early Childhood Programs

Provides an increase of \$28.8 million or 39.6% for the School Readiness District Program. The additional funding will allow for over 8,700 more 4-year-olds to be served in the program.

Includes an additional \$6.7 million to expand the Great Parents, Great Start ISD 0-5 program to \$10.0 million.

Intermediate School Districts

Increases ISDs general operations by \$2.3 million or 2.9% and provides a \$500,000 increase for the expansion of teacher professional development to support the core content standards and credit requirements.

Adult Education

Increases adult education programs by \$4.0 million for a total funding level of \$25.0 million.

Elimination of programs

- Detroit Public School transition grant (\$7.0 million)
- Engineering Michigan's Future grant, a.k.a. middle school math (\$3.8 million). Funding was transferred to the new Middle School After School Grants.

New Categoricals

- Declining Enrollment Grants (\$50.0 million)
- ECIC Collaborative Grants (\$1.0 million)
- Elementary Math and Reading Grants (\$10.0 million)
- Middle School After School Grants (\$15.0 million)
- Health/Science Middle College Program (\$5.0 million)
- Vocational Education Curriculum Development (\$1.0 million)
- FIRST (For Inspiration and Recognition of Science and Technology) Robotics Competition Grants (\$2.0 million)

Programs Transferred to the School Aid Fund

- Juvenile Detention Facility Programs (\$3.0 million) from Department of Human Services
- Youth Challenge Program (\$1.3 million) from Department of Military and Veterans Affairs
- Hearing and Vision Screening (\$5.2 million) from Department of Community Health
- School Breakfast Program (\$9.6 million) from Department of Education
- Pre-college Engineering Program (\$680,100) from Department of Labor and Economic Growth
- School Bus Inspections (\$1.3 million) from State Police
- MEAP Assessment testing costs (\$19.5 million state funding and \$8.4 million federal funding) from Department of Education

Developmental Kindergarten

Deletes intent language in boilerplate that would have changed the funding formula for pre-kindergarten or developmental kindergarten programs to pay for actual costs instead of a foundation allowance beginning in FY 2006-07.

BUDGET AREA: GENERAL GOVERNMENT
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FY 2006-07

	FY 2005-06 Year-to-Date	FY 2006-07 Executive	Difference: Exec to FY 2005-06 YTD	
			Amount	%
IDG/IDT	\$573,818,400	\$589,646,200	\$15,827,800	2.8
Federal	52,977,000	103,227,200	50,250,200	94.9
Local	2,725,400	2,766,200	40,800	1.5
Private	550,100	1,250,100	700,000	127.2
Restricted	1,688,569,800	1,664,653,800	(23,916,000)	(1.4)
GF/GP	596,762,900	645,781,100	49,018,200	8.2
Gross	\$2,915,403,600	\$3,007,324,600	\$91,921,000	3.2
FTEs	7,109.4	7,287.4	178.0	2.5

Attorney General

Analyst: Robin R. Risko

	FY 2005-06 Year-to-Date	FY 2006-07 Executive	Difference: Exec to FY 2005-06 YTD	
			Amount	%
IDG/IDT	\$13,408,400	\$13,914,300	\$505,900	3.8
Federal	8,799,400	10,236,500	1,437,100	16.3
Local	0	0	0	0.0
Private	0	0	0	0.0
Restricted	11,011,400	11,259,500	248,100	2.3
GF/GP	31,501,200	32,896,000	1,394,800	4.4
Gross	\$64,720,400	\$68,306,300	\$3,585,900	5.5
FTEs	566.0	563.0	(3.0)	(0.5)

Note: FY 2005-06 figures include the results of supplementals and Executive Order (EO) actions through January 30, 2006.

Increased Federal Funding

Includes authorization for the Department to receive additional federal grant funding made available for child support enforcement activities (\$517,000) and Medicaid fraud control activities (\$510,700).

Fund Source Adjustments

Reduces state restricted funding authorization from the Real Estate Enforcement Fund by \$226,000 and from Corporate and Security Fees by \$140,300. Reduces IDG funding from MDOT State Trunkline Fund by \$300,000. Adjustments are made in order to more accurately reflect the Department's activity level relative to and collection from these funds.

Program Reductions

Reduces GF/GP funding by \$200,000; offsets the GF/GP reduction by increasing IDG funding from DHS and state restricted funding from the Liquor Purchase Revolving Fund and Oil and Gas Privilege Fee revenue.

Economic Adjustments

Includes \$3.2 million Gross and \$1.6 million GF/GP for economics; (increased funding for salary and wage, insurance, and retirement costs; reduced funding for building occupancy charges).

Civil Rights

Analyst: Robin R. Risko

	FY 2005-06 Year-to-Date	FY 2006-07 Executive	Difference: Exec to FY 2005-06 YTD	
			Amount	%
IDG/IDT	\$0	\$0	\$0	0.0
Federal	1,049,800	1,566,200	516,400	49.2
Local	0	0	0	0.0
Private	0	0	0	0.0
Restricted	0	0	0	0.0
GF/GP	12,108,700	12,454,000	345,300	2.9
Gross	\$13,158,500	\$14,020,200	\$861,700	6.5
FTEs	141.0	141.0	0.0	0.0

Note: FY 2005-06 figures include the results of supplementals and Executive Order (EO) actions through January 30, 2006.

Increased Federal Funding

Includes authorization for the Department to receive additional federal grant funding made available from the Equal Employment Opportunity Commission (\$374,800) and the United States Department of Housing and Urban Development (\$141,600).

Economic Adjustments

Includes \$366,300 Gross and GF/GP for economics; (increased funding for salary and wage, insurance, retirement, and workers' compensation premium costs).

Human Resources Optimization Project

Reduces funding by \$21,000 Gross and GF/GP in order to more accurately reflect the Department's portion of Human Resources Optimization user charges.

Civil Service

Analyst: Robin R. Risko

	FY 2005-06 Year-to-Date	FY 2006-07 Executive	Difference: Exec to FY 2005-06 YTD	
			Amount	%
IDG/IDT	\$5,670,900	\$5,788,100	\$117,200	2.1
Federal	4,779,100	4,779,100	0	0.0
Local	1,700,000	1,700,000	0	0.0
Private	150,000	150,000	0	0.0
Restricted	16,539,200	17,157,500	618,300	3.7
GF/GP	7,102,400	6,972,400	(130,000)	(1.8)
Gross	\$35,941,600	\$36,547,100	\$605,500	1.7
FTEs	240.5	240.5	0.0	0.0

Note: FY 2005-06 figures include the results of supplementals and Executive Order (EO) actions through January 30, 2006.

Program Reductions

Reduces GF/GP funding by \$355,100. Savings are anticipated to be generated through administrative efficiencies.

Economic Adjustments

Includes \$976,600 Gross and \$231,100 GF/GP for economics; (increased funding for salary and wage, insurance, and retirement costs; reduced funding for workers' compensation premium costs and building occupancy charges).

Human Resources Optimization Project

Reduces funding by \$16,000 Gross and \$6,000 GF/GP in order to more accurately reflect the Department's portion of Human Resources Optimization user charges.

Executive

Analyst: Robin R. Risko

	FY 2005-06 Year-to-Date	FY 2006-07 Executive	Difference: Exec to FY 2005-06 YTD	
			Amount	%
IDG/IDT	\$0	\$0	\$0	0.0
Federal	0	0	0	0.0
Local	0	0	0	0.0
Private	0	0	0	0.0
Restricted	0	0	0	0.0
GF/GP	5,375,500	5,375,500	0	0.0
Gross	\$5,375,500	\$5,375,500	\$0	0.0
FTEs	84.2	84.2	0.0	0.0

Note: FY 2005-06 figures include the results of supplementals and Executive Order (EO) actions through January 30, 2006.

No changes to current-year appropriations.

Information Technology

Analyst: Robin R. Risko

	FY 2005-06 Year-to-Date	FY 2006-07 Executive	Difference: Exec to FY 2005-06 YTD	
			Amount	%
IDG/IDT	\$365,194,400	\$378,422,000	\$13,227,600	3.6
Federal	0	0	0	0.0
Local	0	0	0	0.0
Private	0	0	0	0.0
Restricted	0	0	0	0.0
GF/GP	0	0	0	0.0
Gross	\$365,194,400	\$378,422,000	\$13,227,600	3.6
FTEs	1,766.4	1,781.4	15.0	0.8

Note: FY 2005-06 figures include the results of supplementals and Executive Order (EO) actions through January 30, 2006.

Program Enhancements

Makes the following adjustments to reflect appropriations for program enhancements made in other state department budgets:

- Additional \$5.5 million for the Integrated Service Delivery Project in the Department of Human Services
- Additional \$1.1 million for the Business Application Modernization Project in the Department of State
- Additional \$1.0 million for the Michigan Public Safety Communications System in the Department of State Police
- Additional \$399,900 for the Social Security Administration Electronic Death Registry System in the Department of Community Health
- Additional \$370,000 for implementation of the Social Security Privacy Act in the Department of Management and Budget.

Base Adjustments

Makes the following adjustments to more accurately reflect what has been appropriated for information technology services and projects in other state department budgets:

- Additional \$17.0 million in order to align the Department of Information Technology's IDGs with enacted information technology line item appropriations in other state department budgets
- Additional \$3.2 million for the Department of Management and Budget for on-going maintenance costs of the state's retirement system
- Additional \$1.8 million for the Department of Corrections for conversion of modules, server replacements, and desktop maintenance
- Remove one-time appropriation of \$17.8 million for the Child Support Arrearage Program in the Department of Human Services
- Remove \$3.9 million from the Department of Human Services as a result of contract and other information technology-related savings
- Remove \$1.1 million from the Department of State Police due to expiration of the Commercial Vehicle Information Systems Network grant
- Remove one-time appropriation of \$1.0 million for the e-Procurement Project in the Department of Management and Budget

Economic Adjustments

Includes \$7.2 million for economics; (increased funding for salary and wage, insurance, retirement, and rent costs and for building occupancy charges).

Legislature

Analyst: Robin R. Risko

	FY 2005-06 Year-to-Date	FY 2006-07 Executive	Difference: Exec to FY 2005-06 YTD	
			Amount	%
IDG/IDT	\$2,301,500	\$2,301,500	\$0	0.0
Federal	0	0	0	0.0
Local	0	0	0	0.0
Private	400,000	400,000	0	0.0
Restricted	2,356,500	2,356,500	0	0.0
GF/GP	124,673,900	124,673,900	0	0.0
Gross	\$129,731,900	\$129,731,900	\$0	0.0
FTEs	0.0	0.0	0.0	0.0

Note: FY 2005-06 figures include the results of supplementals and Executive Order (EO) actions through January 30, 2006.

No changes to current-year appropriations.

Management and Budget

Analyst: Robin R. Risko

	FY 2005-06 Year-to-Date	FY 2006-07 Executive	Difference: Exec to FY 2005-06 YTD	
			Amount	%
IDG/IDT	\$153,786,800	\$155,293,500	\$1,506,700	1.0
Federal	0	0	0	0.0
Local	0	0	0	0.0
Private	0	0	0	0.0
Restricted	42,909,400	67,438,900	24,529,500	57.2
GF/GP	35,217,900	273,409,600	238,191,700	676.3
Gross	\$231,914,100	\$496,142,000	\$264,227,900	113.9
FTEs	751.0	759.0	8.0	1.1

Note: FY 2005-06 figures include the results of supplementals and Executive Order (EO) actions through January 30, 2006.

Transfer of State Building Authority Rent

Reflects the transfer of State Building Authority Rent Payments from the Department of Treasury to the Department of Management and Budget; additional \$272.8 million Gross and \$256.0 million GF/GP.

Program Reductions

Reduces GF/GP funding by \$758,200. Savings are anticipated to be generated through staffing reductions, fund source shifts, real estate optimization, and changes to the ID Mail Delivery Program.

Office of Retirement Services

Includes \$3.2 million Gross for on-going maintenance costs of the state's retirement system, \$370,000 Gross for implementation of the Social Security Privacy Act, and \$350,000 for customer call center improvements.

Building Occupancy Adjustments

Includes additional \$814,600 Gross for increased utility costs, additional \$121,700 for rent adjustments for leased facilities, and reduces \$577,500 Gross due to closing the Baker-Olin building.

Remove One-Time Funding

Remove one-time appropriation of \$1.0 million Gross for the e-Procurement Project and remove one-time appropriation of \$500,000 Gross for the Retirement Business Continuity/Disaster Recovery Planning Project.

Economic Adjustments

Includes \$3.2 million Gross and \$1.2 million GF/GP for economics; (increased funding for salary and wage, insurance, retirement, and rent costs; reduced funding for workers' compensation premium costs and building occupancy charges).

Human Resources Optimization Project

Includes additional \$34,700 Gross and \$6,700 GF/GP in order to more accurately reflect the Department's portion of Human Resources Optimization user charges.

State

Analyst: Robin R. Risko

	FY 2005-06 Year-to-Date	FY 2006-07 Executive	Difference:	
			Exec to FY 2005-06 YTD Amount	%
IDG/IDT	\$20,000,000	\$20,000,000	\$0	0.0
Federal	2,943,300	3,052,100	108,800	3.7
Local	0	0	0	0.0
Private	100	100	0	0.0
Restricted	160,937,200	162,608,600	1,671,400	1.0
GF/GP	13,497,800	19,132,700	5,634,900	41.7
Gross	\$197,378,400	\$204,793,500	\$7,415,100	3.8
FTEs	1,859.8	1,859.8	0.0	0.0

Note: FY 2005-06 figures include the results of supplementals and Executive Order (EO) actions through January 30, 2006.

Business Application Modernization Project

Includes additional \$1.1 million Gross and GF/GP for continued development and implementation of the Business Application Modernization Project.

Motorcycle Safety Grants

Includes additional \$200,000 Gross for the Department to make grants to colleges, universities, intermediate school districts, local school districts, law enforcement agencies, and other governmental agencies located in the state, to help subsidize safety training courses for individuals interested in operating motorcycles.

Program Reductions

Reduces GF/GP funding by \$365,900. Savings are anticipated to be generated through not filling vacant FTE positions and other administrative efficiencies.

Economic Adjustments

Includes \$6.5 million Gross and \$4.9 million GF/GP for economics; (increased funding for salary and wage, insurance, and retirement costs, and for building occupancy charges; reduced funding for workers' compensation premium costs).

Treasury

Analyst: Viola Bay Wild and Robin R. Risko

	FY 2005-06 Year-to-Date	FY 2006-07 Executive	Difference: Exec to FY 2005-06 YTD	
			Amount	%
IDG/IDT	\$13,456,400	\$13,926,800	\$470,400	3.5
Federal	35,405,400	83,593,300	48,187,900	136.1
Local	1,025,400	1,066,200	40,800	4.0
Private	0	700,000	0	0.0
Restricted	1,454,816,100	1,403,832,800	(50,983,300)	(3.5)
GF/GP	367,285,500	170,867,000	(196,418,500)	(53.5)
Gross	\$1,871,988,800	\$1,673,986,100	(\$198,002,700)	(10.6)
FTEs	1,700.5	1,858.5	158.0	9.3

Note: FY 2005-06 figures include the results of supplementals and Executive Order (EO) actions through January 30, 2006.

Revenue Sharing

Reduces FY 2005-06 enacted appropriation for revenue sharing payments by \$2.5 million because sales tax revenues achieved a smaller increase based on the Consensus Revenue Estimating Conference findings; includes an additional \$359,400 gross and GF/GP for **Special Census Revenue Sharing** payments. The total funding for Special Census Revenue Sharing payments for FY 2006-07 would be \$859,400 gross and GF/GP.

Debt Service

Adds \$1.5 million gross and GF/GP for a new bond issue program - Great Lakes Water Quality Bond; reduces the total debt service payment on the Quality of Life bond by \$4.2 million while adding \$8.0 million GF/GP to funding (this reflects a fund source shift of \$8.0 million from the state restricted Cleanup and Development Funds to GF/GP); adds \$14.0 million gross and GF/GP for debt service payments on the Clean Michigan Initiative bond.

Grants

Increases funding for the Senior Citizen Cooperative Housing Tax Exemption Program by \$900,000 gross and GF/GP; increases Renaissance Zone payments by \$362.0 gross and GF/GP; reduces funding for the Commercial Mobile Radio Service (CMRS) program by \$23.5 million. Since the CMRS program sunsets on December 31, 2006, it is only funded for the first three months in FY 2007.

Michigan Strategic Fund Transferred to Treasury

The Michigan Strategic Fund (MSF) has been transferred to the Department of Treasury from the Department of Labor and Economic Growth under PA 225 of 2005. The **Michigan Economic Development Corporation (MEDC)** administers the programs and funds of the MSF. The FY 2007 appropriation for the MSF is \$80.4 million gross, \$32.0 million GF/GP (See separate summary sheet for the MEDC).

State Building Authority Rent Payments Transferred to DMB

The funding for the State Building Authority (SBA) rent payments have been transferred from the Department of Treasury to the Department of Management and Budget. In FY 2005-06, the SBA rent payments totaled \$272.8 million, \$256.0 GF/GP.

Economic Increases

Adds \$8.2 million gross, \$2.3 million GF/GP for economic adjustments to fund 3.5% salary and wage increases and pay the increased costs of insurances, retirement, and building occupancy charges.

BUDGET AREA: HUMAN SERVICES**Community Health**

FY 2006-07

Analysts: Margaret Alston, Sue Frey, Steve Stauff

	FY 2005-06 Year-to-Date	FY 2006-07 Executive	Difference:	
			Exec to FY 2005-06 YTD Amount	%
IDG/IDT	\$34,090,000	\$37,286,100	3,196,100	9.4
Federal	5,533,597,400	6,103,178,000	569,580,600	10.3
Local	231,524,400	241,177,400	9,653,000	4.2
Private	59,073,800	61,326,900	2,253,100	3.8
Restricted	1,516,009,000	1,817,312,800	301,303,800	19.9
GF/GP	2,951,899,400	3,001,975,800	50,076,400	1.7
Gross	\$10,326,194,000	\$11,262,257,000	\$936,063,000	9.1
FTEs	4,674.6	4,671.1	(3.5)	(0.1)

Note: FY 2005-06 figures include the results of supplementals and Executive Order (EO) actions through January 30, 2006.

Michigan First Healthcare Plan

Includes \$200.0 million of anticipated federal funding that will be used to match existing Michigan funds to create the Michigan First Healthcare Plan, a plan to extend basic, low-cost health insurance coverage for 550,000 Michigan uninsured residents.

Hospital QAAP and DRG Rates

Adds \$316.4 million gross to pay higher hospital DRG rates, funded by a 1% increase in the hospital quality assurance assessment program (QAAP) and a resulting increase in health plan assessment (QAAP) revenue as well as allowed federal match. The State will retain a \$30.0 million GF/GP benefit from the combined assessment revenue.

Pharmacy Rebates for Medicaid HMO Population

Reduces Health Plan Services line by \$100.0 million gross (\$43.0 million GF/GP) representing anticipated savings from allowing health plans to receive federal pharmaceutical rebates for prescription drugs to Medicaid enrollees.

Medicaid Home Help Worker Minimum Wage Increase

Adds \$20.0 million gross (\$8.7 million GF/GP) to increase the minimum hourly wage for Medicaid home help workers from \$5.15 to \$6.60 per hour.

Carve In of Anti-Psychotic Pharmaceutical Costs

Transfers anti-psychotic pharmaceuticals costs of \$149.1 million gross (\$65.1 million GF/GP) to capitation payments for prepaid inpatient health plans (PIHPs), with the expectation of capturing an additional \$9.5 million in QAAP revenue and \$5.3 million in federal Medicaid revenue, and saving \$5.3 million GF/GP.

Actuarially Sound Capitation Rates

Increases capitation payment rates for Health Plan Services and Medicaid Mental Health and Substance Abuse Services by \$88.0 million gross (\$38.4 million GF/GP) to ensure rates are actuarially sound in Fiscal Year 2006-07.

Background Criminal History Check

Authorizes \$2.6 million of a multi-year \$5.0 million federal grant to establish a Criminal History Check Program on employees of certain health facilities as a pilot.

Hearing and Vision Screening

Restores Local Public Health Operations hearing and vision screening program in schools to full funding of \$5,150,000, supported with local revenue from schools received from the School Aid Fund budget (\$2,575,000 gross increase, \$2,575,000 GF/GP reduction).

Medicaid Caseload, Utilization, and Inflation

Adds \$244.6 million gross (\$133.6 million GF/GP) of Medicaid base adjustments for projected expenditure trends related to inflation, caseload, and utilization growth.

Public Health Prevention Reductions

Recognizes a 19.3% reduction of the federal Preventive Health and Health Services Block Grant appropriation, totaling \$1.1 million, with decreases to ten public health prevention programs.

Drug Control Reductions

Reduces funding by \$7.8 million for drug control, drug abuse education, and residential substance abuse treatment programs due to federal grant reductions.

Corrections

FY 2006-07

Analyst: Marilyn Peterson

	FY 2005-06 Year-to-Date	FY 2006-07 Executive	Difference: Exec to FY 2005-06 YTD	
			Amount	%
IDG/IDT	\$1,043,800	\$1,238,400	\$194,600	18.6
Federal	11,410,200	11,431,500	21,300	0.2
Local	411,700	420,900	9,200	2.2
Private	0	0	0	0.0
Restricted	66,590,000	68,775,700	2,185,700	3.3
GF/GP	1,780,650,700	1,865,555,000	84,904,300	4.8
Gross	\$1,780,650,700	\$1,947,421,500	\$87,315,100	4.7
FTEs	17,525.2	17,828.5	303.3	1.7
Avg. Pop.	50,945	51,490	545	1.1

Note: FY 2005-06 figures include the results of supplementals and Executive Order (EO) actions through January 30, 2006.

New Guard Training

Increases appropriations for training of new corrections officers by \$7.8 million, to a total of \$11.8 million (all GF/GP), to fund an estimated 650 new corrections officers to fill current and anticipated vacancies. Adds \$1.0 million (GF/GP) for costs of use of state police training facility.

Jail Capacity Grants

Eliminates \$4.0 million GF/GP added in FY 2005-06 to fund various grants to assist counties with problems of jail overcrowding. This additional funding consisted of \$1.0 million for community corrections residential programs to help to ease jail crowding, \$1.0 million for local efforts to divert mentally ill offenders out of jails, \$1.0 million for services to divert pretrial detainees out of jails, and \$1.0 million for renovation and construction of jail beds.

Global Positioning System (GPS) Electronic Monitoring

Provides \$1.7 million GF/GP for early implementation GPS electronic monitoring for selected offenders in a yet-to-be-determined area of the state. The technology is expected to be used primarily for prisoners being paroled from burglary offenses. A request for proposals to provide a GPS system was issued January 26, 2006; the deadline for submitting bids is February 23. The contract start date is scheduled for June 23, 2006.

Field Operations Reorganization

Recognizes additional \$2.7 million net GF/GP savings achieved through a reorganization of field operations that commenced in FY 2005-06 with reorganization of central office staff for savings of \$1.1 million. Savings through reorganization of regional office administrative and management staff is to realize savings of \$6.3 million and reduction of 79.5 FTEs, which would be offset by \$3.6 million to fund 46.3 additional field officer FTEs, for net reductions of 33.2 FTEs and \$2.0 million.

Restricted Revenues Increases

Offsets GF/GP through \$2.3 million in increased revenues from prison stores and public works user fees. Includes \$42,000 in additional store revenues to be generated by increased prisoner population. Another \$216,000 in restricted revenues is expected through a recently-implemented 50% increase in public works user fees (from \$10 to \$15 per worker per day). Finally, increased use of public works crews on MDOT projects would provide additional \$2.0 million in restricted revenues to offset GF/GP funding.

Camp Brighton Closure

Closes Camp Brighton, the state's only prison camp for women, and transfers its funding to elsewhere in the budget. A technical rule violator center at the Huron Valley Complex is to be converted to a women's camp.

Human Services

FY 2006-07

Analysts: Bob Schneider and Bill Fairgrieve

	FY 2005-06 Year-to-Date	FY 2006-07 Executive	Difference: Exec to FY 2005-06 YTD	
			Amount	%
IDG/IDT	\$2,439,200	\$1,102,700	(\$1,336,500)	(54.8)
Federal	3,213,153,000	3,147,082,900	(66,070,100)	(2.1)
Local	51,076,200	55,939,500	4,863,300	9.5
Private	8,918,600	9,914,100	995,500	11.2
Restricted	71,176,100	66,868,600	(4,307,500)	(6.1)
GF/GP	1,081,211,900	1,190,896,700	109,684,800	10.1
Gross	\$4,427,975,000	\$4,471,804,500	\$43,829,500	1.0
FTEs	10,286.0	10,112.7	(168.3)	(1.6)

Note: FY 2005-06 figures include the results of supplementals and Executive Order (EO) actions through January 30, 2006.

GF/GP Funding Increase to Offset Projected TANF and SSBG Shortfall

Increases state GF/GP appropriations by \$78.0 million to replace Temporary Assistance for Needy Families (TANF) and Social Services Block Grant (SSBG) funding. State Budget Office projections suggest that, without this fund shift or equivalent program reductions, available TANF and SSBG revenues will fall short of planned expenditures. SBO projections are consistent with current HFA projections. In addition, a similar \$20.0 million TANF-to-GF/GP fund shift is recommended within a FY 2006 supplemental to cover an expected current year shortfall.

Program Caseload Spending Adjustments

Increases appropriations by \$17.2 million (\$14.9 million GF/GP) to reflect State Budget Office-estimated caseload changes in the following programs: Family Independence Program (down \$2.3 million), Adoption Subsidies (up \$7.8 million), Child Care Fund (up \$4.3 million), State Disability Assistance (up \$1.7 million), and Day Care (up \$5.8 million). The FIP caseload reduction includes the estimated impact of a pilot Front-End Eligibility project aimed at reducing the number of FIP cases opened in error.

Welfare Reform Pilot Program Savings

Includes \$11.0 million in net savings from the implementation of the Job Education and Training (JET) pilot program aimed at better engaging long-term welfare recipients in work and work activities. The \$11.0 million in net savings represents anticipated FIP benefit savings of \$12.4 million less \$1.4 million in program administrative costs. FIP benefit savings would result if the pilot project successfully increases employment hours for recipients, increases employment-related case closures, and/or reduces the number of re-opened cases by increasing the permanency of employment.

New State-Funded Welfare Program

From the GF/GP funding used to offset the TANF shortfall, \$50.0 million will be allocated to a separate state-funded welfare cash assistance program. The GF/GP would not be counted towards federally mandated state maintenance of effort spending. This would exclude recipient groups funded under the new state-funded program from federal work participation requirements and assist the State in meeting stricter federal requirements that were included in recent budget reconciliation legislation passed by Congress.

Child Protective Services Staffing Increase

Increases Child Protective Services staff levels by 51 positions at a cost of \$3.6 million. This represents a staffing increase of around 7%. Positions are financed with \$1.8 million in new appropriations (\$1.5 million GF/GP); remaining funds are transferred from within the budget.

GF/GP Cost Savings Related to School Aid Fund

Includes \$3.0 million in GF/GP savings for state-funded educational costs within the juvenile justice system shifted to the School Aid budget. Also includes \$5.0 million in assumed day care caseload cost savings attributed to the proposed \$36.5 million School Aid increase for the Michigan School Readiness Program.

BUDGET AREA: LABOR AND ECONOMIC GROWTH

Labor and Economic Growth

FY 2006-07

Analyst: Richard Child

	FY 2005-06	FY 2006-07	Difference:	
	Year-to-Date	Executive	Exec to FY 2005-06 YTD	
			Amount	%
IDG/IDT	\$10,743,800	\$12,271,100	\$1,527,300	14.2
Federal	787,078,700	795,345,800	8,267,100	1.1
Local	15,738,200	15,824,300	86,100	0.5
Private	2,310,300	2,314,300	4,000	0.2
Restricted	329,877,200	343,906,700	14,029,500	4.3
GF/GP	38,078,900	47,436,700	9,357,800	24.6
Gross	\$1,183,827,100	\$1,217,098,900	\$33,271,800	2.8
FTEs	4,214.0	4,265.0	51.0	1.2

Note: FY 2005-06 figures include the results of supplementals and Executive Order (EO) actions through January 30, 2006.

Michigan 21st Century Jobs Fund

Under Public Act 225 of 2005, this fund is transferred to the Department of Treasury along with all other Michigan Strategic Fund programs. The Michigan Economic Development Corporate, which administers these programs including the Michigan 21st Century Jobs Fund, is also transferred to the Department of Treasury.

Tripling of Liquor License Fees

Proposes tripling liquor license fees, which have not been increased since 1976, to generate \$23 million, all of which will be transferred to the General Fund.

FY 2007 Economic Adjustments

Adds \$18.6 million gross (\$0.7 million GF/GP) for funding FY 2007 contractual salary and wage increases of 3.5% and other economic increases. Economic increases are also included for cost of employee benefits, which has risen 6.4%, and increases in pensions, worker's compensation, building occupancy and rent.

Federal Fund Program/Grant Net Increases

Adds a net total of \$5.8 million: \$5.0 for increased Michigan State Housing Development Authority housing and rental assistance payments, \$2.0 million for increased Workforce Development training for the disabled, and a reduction of \$1.2 million for various federal grants that have ended.

Programs Transfers

In addition to the transfer of Michigan Strategic Fund programs, the Michigan Community Service Commission is transferred to the Department of Human Services, and the grant to the Detroit and Grand Rapids Area Pre-College Engineering Programs (DAPCEP/GRAPCEP) is transferred to the School Aid Fund.

Fire Protection Grants

Fire protection grants are increased by \$3.7 million Gross (\$3.7 million GF/GP).

Increased Regulatory Full Time Equivalent Employees

A total of 26.0 FTE s, functioning as regulatory employees, are added as follows; 4.0 to regulate the payday lending industry, 3.0 for bank regulation, 4.0 for insurance company examinations, 2.0 to regulate private wastewater, 1.0 to regulate corporations, 4.0 for Tax Tribunal case mediation, 6.0 to process Michigan Public Service Commission rate

case filings, and 2.0 to process Land Bank Fast Track Authority workload. Funding source is State restricted regulatory fees totaling \$2.4 million.

Size Reduction for Michigan Broadband Authority

11.0 full time equivalent employees and \$1.1 million Gross (\$0 GF/GP) funding are eliminated to reflect reduced program size beginning in fiscal year 2007.

New Bureau of Fire Services

The existing fire safety and training programs are removed from the former Bureau of Construction Codes and Fire Safety and transferred to a new Bureau of Fire Services. Staffing and funding levels continue at the FY 2006 levels with the addition of economic increases.

New Jobs Education Training (JET) Pilot Program

Adds new Workforce Development pilot program funded with \$1.1 million interdepartmental grant from the Department of Human Services (DHS). This program helps to support savings of \$11 million in DHS, which results from decreased cash assistance to welfare recipients.

Michigan Economic Development Corporation (MEDC)

Michigan 21st Century Jobs Fund

Under Public Act 225 of 2005, this fund is transferred to the Department of Treasury along with all other Michigan Strategic Fund programs. The Michigan Economic Development Corporation, which administers these programs including the Michigan 21st Century Jobs Fund, is partially funded through the Department of Treasury budget. The Michigan 21st Century Jobs Fund appropriation includes \$16 million for MEDC administration, in addition to \$2.4 million for MEDC administration appropriated in the fiscal year 2007 Governor's recommendation for MEDC. MEDC also receives \$20 million for marketing and \$15 million for the Travel Michigan Program from the Michigan 21st Century Jobs Fund in addition to approximately \$3.5 million for marketing and \$5.7 million for the Travel Michigan Program included in the Governor's FY 2007 MEDC budget.

Note that the \$394 million funding for the Michigan 21st Century Jobs Fund is not included in the Governor's recommendation, but because it was appropriated in fiscal year 2006 under Public Act 225 of 2005. However, any unexpended balance will automatically be carried forward to fiscal year 2007 as a work project under the provisions of Public Act 225 of 2005.

FY 2007 Economic Adjustments

Adds \$0.8 million gross (\$0.7 million GF/GP) for funding FY 2007 contractual salary and wage increases of 3.5% and other economic increases. Economic increases are also included for cost of employee benefits, which has risen 6.4%, and increases in pensions, worker's compensation, building occupancy and rent.

Status Quo Program Funding

All MEDC budget lines are funded at the fiscal year 2006 level, except that economic adjustments totaling \$0.8 million gross (\$0.7 million GF/GP) have been added to the two lines, Administration and Job Creation Services, which include full times equivalent employees (FTEs).

BUDGET AREA: RESOURCE PROTECTION**Agriculture**

FY 2006-07

Analyst: William E. Hamilton

	FY 2005-06 Year-to-Date	FY 2006-07 Executive	Difference:	
			Exec to FY 2005-06 YTD Amount	%
IDG/IDT	\$10,368,200	\$10,382,700	\$14,500	0.1
Federal	32,581,700	22,757,000	(9,824,700)	(30.2)
Local	0	0	0	0.0
Private	138,700	183,800	45,100	32.5
Restricted	47,727,100	48,399,000	671,900	1.4
GF/GP	28,362,700	30,062,500	1,699,800	6.0
Gross	\$119,178,400	\$111,785,000	(\$7,393,400)	(6.2)
FTEs	697.0	696.0	(1.0)	(0.1)

Note: FY 2005-06 figures include the results of supplementals and Executive Order (EO) actions through January 30, 2006.

Emerald Ash Borer

Reflects \$10 million reduction in federal support for program to contain and eradicate emerald ash borer infestation in Michigan. The budget includes \$13.8 million in federal support for the program, first funded in FY 2002-03.

Food and Dairy

Reduces appropriation from restricted Licensing and inspection fees by \$500,000 to more closely reflect actual revenue, with corresponding \$500,000 increase in GF/GP support for food safety program. Budget also includes an additional \$465,200 GF/GP for line item to fund economic increases

CREP

Provides additional \$350,000 GF/GP for Conservation Reserve Enhancement Program, a program to address environmental issues of soil erosion, water quality, and wildlife habitat in rural Michigan. Program works with local conservation districts.

Audits of Pari-Mutual Race Tracks

Budget reflects transfer of \$240,000 State Services Fee revenue to Office of Racing Commissioner from Department of Treasury to reflect program transfer. There were no FTE positions added; the department indicates that this audit function was performed by contract auditors.

Agriculture Equine Industry Development Fund (AEIDF)

Appropriates \$16.6 million from this restricted fund; of which \$13.8 million would support Fairs and Exposition line items – the same as current year. The total appropriation from the AEIDF would be \$111,300 greater than the current year. Executive budget includes redirection from AEIDF to state General Fund as was proposed for the current year.

Economic Increases

Fully funds \$2.6 million in negotiated salary and wage increases and computed insurance and retirement increases.

Environmental Quality

FY 2006-07

Analyst: Kirk Lindquist

	FY 2005-06 Year-to-Date	FY 2006-07 Executive	Difference: Exec to FY 2005-06 YTD	
			Amount	%
IDG/IDT	\$18,031,100	\$18,233,600	\$202,500	1.1
Federal	144,062,700	140,338,500	(3,724,200)	(2.6)
Local	0	0	0	0.0
Private	450,000	450,000	0	0.0
Restricted	260,842,600	177,878,000	(82,964,600)	(31.8)
GF/GP	31,809,600	33,328,400	1,518,800	4.8
Gross	\$455,196,000	\$370,228,500	(\$84,967,500)	(17.4)
FTEs	1,573.2	1,567.7	(5.5)	(0.3)

Note: FY 2005-06 figures include the results of supplementals and Executive Order (EO) actions through January 30, 2006.

Cleanup and Redevelopment Program: GF/GP support: \$2,000,000, part of a fund restructuring of the program

Delete one-time funding for Underground Storage Tank cleanup program: (Refined Petroleum Fund, \$80,000,000)

Reduce Federal Drinking Water Grants: (\$6,073,600, GF/GP match: \$1,073,600)

Natural Resources

FY 2006-07

Analyst: Kirk Lindquist

	FY 2005-06 Year-to-Date	FY 2006-07 Executive	Difference: Exec to FY 2005-06 YTD	
			Amount	%
IDG/IDT	\$3,691,200	\$3,765,900	\$74,700	2.0
Federal	38,990,200	42,964,300	3,974,100	10.2
Local	0	0	0	0.0
Private	2,090,100	2,125,100	35,000	1.7
Restricted	202,578,400	213,043,300	10,464,900	5.2
GF/GP	25,593,200	25,119,600	(473,600)	(1.9)
Gross	\$272,943,100	\$287,018,200	\$14,075,100	5.2
FTEs	2,079.5	2,093.4	13.9	0.7

Note: FY 2005-06 figures include the results of supplementals and Executive Order (EO) actions through January 30, 2006.

Forest Fire Suppression funding shift from GF/GP to Forest Development Fund: \$1,500,000

Camping Fee revenue increase: \$3,500,000

Marine Safety Grant increase: Federal, \$2,940,000

BUDGET AREA: SAFETY AND DEFENSE

Military Affairs

FY 2006-07

Analyst: Jan Wisniewski

	FY 2005-06 Year-to-Date	FY 2006-07 Executive	Difference: Exec to FY 2005-06 YTD	
			Amount	%
IDG/IDT	\$1,656,800	\$1,664,600	\$7,800	0.4
Federal	49,537,200	51,190,700	1,653,500	3.3
Local	0	1,253,100	1,253,100	1,253,100
Private	1,355,800	1,366,300	10,500	0.8
Restricted	27,360,500	26,202,700	(1,157,800)	(4.2)
GF/GP	37,789,100	40,640,200	2,851,100	7.5
Gross	\$117,699,400	\$122,317,600	\$4,618,200	3.9
FTEs	1,023.0	1,022.0	(1.0)	(0.1)

Note: FY 2005-06 figures include the results of supplementals and Executive Order (EO) actions through January 30, 2006.

FY07 Economics Increases – \$3,992,400 Gross, \$2,278,400 GF/GP

Military Retirement Federal 3.4% Cost of Living Increase - \$166,800 Gross and GF/GP

Grand Rapids Veterans Home Restricted Fund Revenue Offset - \$0 Gross, \$1,200,000 GF/GP

Challenge Program GF/GP Replacement from School Aid Funds - \$500,000 Gross, (\$753,100) GF/GP

State Police

FY 2006-07

Analyst: Jan Wisniewski

	FY 2005-06 Year-to-Date	FY 2006-07 Executive	Difference: Exec to FY 2005-06 YTD	
			Amount	%
IDG/IDT	\$20,736,300	\$22,642,400	\$1,906,100	9.2
Federal	182,821,000	181,013,300	(1,807,700)	(1.0)
Local	5,597,900	8,088,900	2,491,000	44.5
Private	11,200	80,300	69,100	617.0
Restricted	106,282,100	111,373,200	5,091,100	4.8
GF/GP	235,361,600	255,298,700	19,937,100	8.5
Gross	\$550,810,100	\$578,496,800	\$27,686,700	5.0
FTEs	2,900.0	2,903.0	3.0	0.1

Note: FY 2005-06 figures include the results of supplementals and Executive Order (EO) actions through January 30, 2006.

FY07 Economics Increases - \$20,308,500 Gross, \$16,904,900 GF/GP

School Bus Inspection Fund Shift from GF/GP to Local Revenue Source – (\$1,284,800) GF/GP

Agency Attrition Savings (17.0 FTE's) – (\$1,721,700) Gross, (\$1,661,000) GF/GP

At-Post Troopers Fund Shift from State Restricted to GF/GP - \$0 Gross, \$2,000,000 GF/GP

Consolidate Gaylord and Bridgeport Regional Dispatch Centers (4.0 FTE's) – (\$240,000) GF/GP

Increase State Restricted Authorization for Various Programs - \$7,065,300 Gross

Restore GF/GP for Posts and Fire Investigations - \$2,250,000 GF/GP

Shift Administrative Costs from the Michigan Justice Training Fund to GF/GP - \$1,900,000 GF/GP

BUDGET AREA: ALL OTHER

Capital Outlay

FY 2006-07

Analyst: Al Valenzio

	FY 2005-06 Year-to-Date	FY 2006-07 Executive	Difference: Exec to FY 2005-06 YTD	
			Amount	%
IDG/IDT	\$2,000,000	\$2,000,000	\$0	0.0
Federal	155,382,600	147,974,300	(7,408,300)	(4.8)
Local	20,784,200	12,648,300	(8,135,900)	(39.1)
Private	0	0	0	0.0
Restricted	45,736,000	53,350,300	7,614,300	16.6
GF/GP	4,401,900	2,200	(4,399,700)	(99.9)
Gross	\$228,304,700	\$215,975,100	(\$12,329,600)	(5.4)
FTEs	0.0	0.0	0.0	0.0

Note: FY 2005-06 figures include the results of supplementals and Executive Order (EO) actions through January 30, 2006.

Authorizes 3 State Building Authority construction and 19 planning projects committing about \$364.3 million of SBA bond proceeds. This includes \$100 million for a new Regional Economic Development Initiative

Provides \$13.2 million from Transportation funds for a new Detroit transportation campus facility

Provides \$14.9 million (Waterways Fund) for harbor, marina and boating access projects

Eliminates \$4 million General Fund grant to the Detroit Zoological Society

Provides an additional \$12.2 million federal for airport safety and improvement projects

History, Arts, and Libraries

FY 2006-07

Analyst: Al Valenzio

	FY 2005-06 Year-to-Date	FY 2006-07 Executive	Difference: Exec to FY 2005-06 YTD	
			Amount	%
IDG/IDT	\$649,700	\$79,000	(\$570,700)	(87.8)
Federal	8,218,300	8,450,900	232,600	2.8
Local	0	0	0	0.0
Private	577,400	577,400	0	0.0
Restricted	2,583,600	2,781,200	197,600	7.6
GF/GP	41,190,100	42,800,200	1,610,100	3.9
Gross	\$53,219,100	\$54,688,700	\$1,469,600	2.8
FTEs	232.0	232.0	0.0	0.0

Note: FY 2005-06 figures include the results of supplementals and Executive Order (EO) actions through January 30, 2006.

Increase State Aid to Libraries by \$315,900, GF/GP

Increase Art and Cultural Grants by \$315,900, GF/GP

Shift \$200,000 from GF/GP to restricted funds for Mackinac Island State Park Operations

Eliminate funding for the Film Office, \$174,700, GF/GP

Judiciary

FY 2006-07

Analyst: Marilyn Peterson

	FY 2005-06 Year-to-Date	FY 2006-07 Executive	Difference: Exec to FY 2005-06 YTD	
			Amount	%
IDG/IDT	\$2,563,500	\$2,563,500	\$0	0.0
Federal	3,926,400	3,926,400	0	0.0
Local	3,419,100	3,612,400	193,300	5.7
Private	842,500	842,500	0	0.0
Restricted	87,015,900	87,178,500	162,600	0.2
GF/GP	157,614,500	160,125,400	2,510,900	1.6
Gross	\$255,381,900	\$258,248,700	\$2,866,800	1.1
FTEs	509.0	509.0	0.0	0.0

Note: FY 2005-06 figures include the results of supplementals and Executive Order (EO) actions through January 30, 2006.

Court of Appeals Funding

Adds \$150,000 in funding for Court of Appeals to recognize increased collections of existing filing and motion fees for the Court.

Full-time Probate Judges

Seven part-time probate judges will convert to full-time effective January 1, 2007. Executive recommendation adds \$599,400 for the nine-month cost of this conversion.

Miscellaneous Savings

Incorporates unidentified savings of \$500,000 GF/GP through reductions to various lines according to their amount of GF/GP funding.

Transportation

FY 2006-07

Analyst: William E. Hamilton

	FY 2005-06 Year-to-Date	FY 2006-07 Executive	Difference: Exec to FY 2005-06 YTD	
			Amount	%
IDG/IDT	\$0	\$0	\$0	0.0
Federal	1,197,594,100	1,169,386,000	(28,208,100)	(2.6)
Local	6,100,000	47,500,000	41,400,000	678.7
Private	0	0	0	0.0
Restricted	2,184,113,400	2,225,449,100	41,385,700	1.9
GF/GP	0	0	0	0.0
Gross	\$3,387,807,500	\$3,442,385,100	\$54,577,600	1.6
FTEs	3,028.3	3,036.3	8.0	0.3

Note: FY 2005-06 figures include the results of supplementals and Executive Order (EO) actions through January 30, 2006.

Revenue Increase

Assumes increase in state restricted revenue from existing (fuel taxes and vehicle registration) taxes. No new taxes or increases in tax rates or fees. The increase is reflected in increases to Michigan Transportation Fund, State Trunkline Fund, and Comprehensive Transportation Fund (CTF) revenue.

Reduced Debt Service

\$33.1 million decrease due to refinancing of short-term GARVEE notes

New Program

\$4 million for Safe routes to school program, a new federal initiative in SAFETEA-LU, the federal-aid reauthorization act

Road & Bridge Construction

Total \$988.1 million, a \$14.4 million increase from current-year. The increase reflects, in part, restoration of funds vetoed from current-year budget (The vetoes reduced the current-year baseline authorization). The Executive has requested supplemental appropriations to restore \$20.9 million in vetoed spending authorization in the current year.

Public Transportation and Freight Service

Restores \$1.7 million (in part using federal funds) and 8.0 FTE positions.

Local Bus Operating Assistance

Recommends \$166.6 million, a \$3.3 million increase from current year

Bus Capital

Includes \$64.7 million, an increase of \$17.9 million. Assumes \$10.9 million in additional CTF revenue from end of three year redirection of auto-related sales tax to General Fund. Also assumes \$7 million in additional local funds to match federal aid projects.

Intercity Passenger and Freight

Provides increases to Intercity bus equipment, rail infrastructure loan program, freight preservation and development, and terminal development based on anticipated increases in CTF revenue. Funds rail passenger line at \$8.2 million, the same as current-year funding.

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**TABLE 1
FY 2006-07 EXECUTIVE RECOMMENDATION BY SOURCE OF FUNDS**

<u>Department/Budget Area</u>	<u>Gross</u>	<u>IDG/IDT</u>	<u>Adjusted Gross</u>	<u>Federal</u>	<u>Local</u>	<u>Private</u>	<u>State Restricted</u>	<u>GF/GP</u>
Community Colleges	287,129,400	0	287,129,400	0	0	0	0	287,129,400
Education	90,365,100	0	90,365,100	67,570,600	5,985,600	2,914,400	7,227,000	6,667,500
Higher Education	1,741,840,700	0	1,741,840,700	3,000,000	0	0	153,800,000	1,585,040,700
School Aid	<u>13,119,014,700</u>	<u>0</u>	<u>13,119,014,700</u>	<u>1,412,736,900</u>	<u>0</u>	<u>0</u>	<u>11,671,277,800</u>	<u>35,000,000</u>
EDUCATION	\$15,238,349,900	\$0	\$15,238,349,900	\$1,483,307,500	\$5,985,600	\$2,914,400	\$11,832,304,800	\$1,913,837,600
Attorney General	68,306,300	13,914,300	54,392,000	10,236,500	0	0	11,259,500	32,896,000
Civil Rights	14,020,200	0	14,020,200	1,566,200	0	0	0	12,454,000
Civil Service	36,547,100	5,788,100	30,759,000	4,779,100	1,700,000	150,000	17,157,500	6,972,400
Executive Office	5,375,500	0	5,375,500	0	0	0	0	5,375,500
Information Technology	378,422,000	378,422,000	0	0	0	0	0	0
Legislature	129,731,900	2,301,500	127,430,400	0	0	400,000	2,356,500	124,673,900
Management and Budget	496,142,000	155,293,500	340,848,500	0	0	0	67,438,900	273,409,600
Michigan Strategic Fund	80,479,800	78,600	80,401,200	47,687,000	0	700,000	5,000	32,009,200
State	204,793,500	20,000,000	184,793,500	3,052,100	0	100	162,608,600	19,132,700
Treasury: Operations	378,876,700	13,848,200	365,028,500	35,906,300	1,066,200	0	266,513,300	61,542,700
Treasury: Debt/Revenue Sharing	<u>1,214,629,600</u>	<u>0</u>	<u>1,214,629,600</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,137,314,500</u>	<u>77,315,100</u>
GENERAL GOVERNMENT	\$3,007,324,600	\$589,646,200	\$2,417,678,400	\$103,227,200	\$2,766,200	\$1,250,100	\$1,664,653,800	\$645,781,100
Community Health	11,262,257,000	37,286,100	11,224,970,900	6,103,178,000	241,177,400	61,326,900	1,817,312,800	3,001,975,800
Corrections	1,947,421,500	1,238,400	1,946,183,100	11,431,500	420,900	0	68,775,700	1,865,555,000
Human Services	<u>4,471,804,500</u>	<u>1,102,700</u>	<u>4,470,701,800</u>	<u>3,147,082,900</u>	<u>55,939,500</u>	<u>9,914,100</u>	<u>66,868,600</u>	<u>1,190,896,700</u>
HUMAN SERVICES	\$17,681,483,000	\$39,627,200	\$17,641,855,800	\$9,261,692,400	\$297,537,800	\$71,241,000	\$1,952,957,100	\$6,058,427,500
Labor and Economic Growth	<u>1,217,098,900</u>	<u>12,271,100</u>	<u>1,204,827,800</u>	<u>795,345,800</u>	<u>15,824,300</u>	<u>2,314,300</u>	<u>343,906,700</u>	<u>47,436,700</u>
LABOR AND ECONOMIC GROWTH	\$1,217,098,900	\$12,271,100	\$1,204,827,800	\$795,345,800	\$15,824,300	\$2,314,300	\$343,906,700	\$47,436,700
Agriculture	111,785,000	10,382,700	101,402,300	22,757,000	0	183,800	48,399,000	30,062,500
Environmental Quality	370,228,500	18,233,600	351,994,900	140,338,500	0	450,000	177,878,000	33,328,400
Natural Resources	<u>287,018,200</u>	<u>3,765,900</u>	<u>283,252,300</u>	<u>42,964,300</u>	<u>0</u>	<u>2,125,100</u>	<u>213,043,300</u>	<u>25,119,600</u>
RESOURCE PROTECTION	\$769,031,700	\$32,382,200	\$736,649,500	\$206,059,800	\$0	\$2,758,900	\$439,320,300	\$88,510,500
Military and Veterans Affairs	122,317,600	1,664,600	120,653,000	51,190,700	1,253,100	1,366,300	26,202,700	40,640,200
State Police	<u>578,496,800</u>	<u>22,642,400</u>	<u>555,854,400</u>	<u>181,013,300</u>	<u>8,088,900</u>	<u>80,300</u>	<u>111,373,200</u>	<u>255,298,700</u>
SAFETY AND DEFENSE	\$700,814,400	\$24,307,000	\$676,507,400	\$232,204,000	\$9,342,000	\$1,446,600	\$137,575,900	\$295,938,900
Capital Outlay	215,975,100	2,000,000	213,975,100	147,974,300	12,648,300	0	53,350,300	2,200
History, Arts, and Libraries	54,688,700	79,000	54,609,700	8,450,900	0	577,400	2,781,200	42,800,200
Judiciary	258,248,700	2,563,500	255,685,200	3,926,400	3,612,400	842,500	87,178,500	160,125,400
Transportation	<u>3,442,385,100</u>	<u>0</u>	<u>3,442,385,100</u>	<u>1,169,386,000</u>	<u>47,500,000</u>	<u>0</u>	<u>2,225,499,100</u>	<u>0</u>
ALL OTHERS	\$3,971,297,600	\$4,642,500	\$3,966,655,100	\$1,329,737,600	\$63,760,700	\$1,419,900	\$2,368,809,100	\$202,927,800
TOTAL APPROPRIATIONS	\$42,585,400,100	\$702,876,200	\$41,882,523,900	\$13,411,574,300	\$395,216,600	\$83,345,200	\$18,739,527,700	\$9,252,860,100

TABLE 2
ADJUSTED GROSS APPROPRIATIONS
FY 2006-07 Executive Recommendation Compared with FY 2005-06 Year-to-Date

<u>Department/Budget Area</u>	<u>Year-To-Date</u>	<u>Exec Rec</u>	<u>FY 2006-07 vs. FY 2005-06</u>	
	<u>FY 2005-06</u>	<u>FY 2006-07</u>	<u>Amount Different</u>	<u>Percent Different</u>
Community Colleges	281,327,400	287,129,400	5,802,000	2.1%
Education	117,475,600	90,365,100	(27,110,500)	-23.1%
Higher Education	1,734,443,900	1,741,840,700	7,396,800	0.4%
School Aid	<u>12,757,151,300</u>	<u>13,119,014,700</u>	<u>361,863,400</u>	2.8%
EDUCATION	\$14,890,398,200	\$15,238,349,900	\$347,951,700	2.3%
Attorney General	51,312,000	54,392,000	3,080,000	6.0%
Civil Rights	13,158,500	14,020,200	861,700	6.5%
Civil Service	30,270,700	30,759,000	488,300	1.6%
Executive Office	5,375,500	5,375,500	0	0.0%
Information Technology	0	0	0	
Legislature	127,430,400	127,430,400	0	0.0%
Management and Budget	78,127,300	340,848,500	262,721,200	336.3%
Michigan Strategic Fund		80,401,200	80,401,200	
State	177,378,400	184,793,500	7,415,100	4.2%
Treasury: Operations	652,919,000	365,028,500	(287,890,500)	-44.1%
Treasury: Debt/RevenueShare	<u>1,205,613,400</u>	<u>1,214,629,600</u>	<u>9,016,200</u>	0.7%
GENERAL GOVERNMENT	\$2,341,585,200	\$2,417,678,400	\$76,093,200	3.2%
Community Health	10,292,104,000	11,224,970,900	932,866,900	9.1%
Corrections	1,859,062,600	1,946,183,100	87,120,500	4.7%
Human Services	<u>4,425,535,800</u>	<u>4,470,701,800</u>	<u>45,166,000</u>	1.0%
HUMAN SERVICES	\$16,576,702,400	\$17,641,855,800	\$1,065,153,400	6.4%
Labor and Economic Growth	<u>1,657,492,900</u>	<u>1,204,827,800</u>	<u>(452,665,100)</u>	-27.3%
LABOR AND ECONOMIC GROWTH	\$1,657,492,900	\$1,204,827,800	(\$452,665,100)	-27.3%
Agriculture	108,810,200	101,402,300	(7,407,900)	-6.8%
Environmental Quality	437,164,900	351,994,900	(85,170,000)	-19.5%
Natural Resources	<u>269,251,900</u>	<u>283,252,300</u>	<u>14,000,400</u>	5.2%
RESOURCE PROTECTION	\$815,227,000	\$736,649,500	(\$78,577,500)	-9.6%
Military and Veterans Affairs	116,042,600	120,653,000	4,610,400	4.0%
State Police	<u>530,073,800</u>	<u>555,854,400</u>	<u>25,780,600</u>	4.9%
SAFETY AND DEFENSE	\$646,116,400	\$676,507,400	\$30,391,000	4.7%
Capital Outlay	226,304,700	213,975,100	(12,329,600)	-5.4%
History, Arts, and Libraries	52,569,400	54,609,700	2,040,300	3.9%
Judiciary	252,818,400	255,685,200	2,866,800	1.1%
Transportation	<u>3,387,807,500</u>	<u>3,442,385,100</u>	<u>54,577,600</u>	1.6%
ALL OTHERS	\$3,919,500,000	\$3,966,655,100	\$47,155,100	1.2%
TOTAL APPROPRIATIONS	\$40,847,022,100	\$41,882,523,900	\$1,035,501,800	2.5%

TABLE 3
GENERAL FUND/GENERAL PURPOSE APPROPRIATIONS
FY 2006-07 Executive Recommendation Compared with FY 2005-06 Year-to-Date

<u>Department/Budget Area</u>	<u>Year-To-Date</u>	<u>Year-To-Date</u>	<u>FY 2006-07 vs. FY 2005-06</u>	
	<u>FY 2005-06</u>	<u>FY 2006-07</u>	<u>Amount Different</u>	<u>Percent Different</u>
Community Colleges	281,327,400	287,129,400	5,802,000	2.1%
Education	16,100,400	6,667,500	(9,432,900)	-58.6%
Higher Education	1,577,443,900	1,585,040,700	7,596,800	0.5%
School Aid	<u>62,714,000</u>	<u>35,000,000</u>	<u>(27,714,000)</u>	-44.2%
EDUCATION	\$1,937,585,700	\$1,913,837,600	(\$23,748,100)	-1.2%
Attorney General	31,501,200	32,896,000	1,394,800	4.4%
Civil Rights	12,108,700	12,454,000	345,300	2.9%
Civil Service	7,102,400	6,972,400	(130,000)	-1.8%
Executive Office	5,375,500	5,375,500	0	0.0%
Information Technology	0	0	0	
Legislature	124,673,900	124,673,900	0	0.0%
Management and Budget	35,217,900	273,409,600	238,191,700	676.3%
Michigan Strategic Fund		32,009,200	32,009,200	
State	13,497,800	19,132,700	5,634,900	41.7%
Treasury: Operations	313,686,600	61,542,700	(252,143,900)	-80.4%
Treasury: Debt/Revenue	<u>53,598,900</u>	<u>77,315,100</u>	<u>23,716,200</u>	44.2%
GENERAL GOVERNMENT	\$596,762,900	\$645,781,100	\$49,018,200	8.2%
Community Health	2,951,899,400	3,001,975,800	50,076,400	1.7%
Corrections	1,780,650,700	1,865,555,000	84,904,300	4.8%
Human Services	<u>1,081,211,900</u>	<u>1,190,896,700</u>	<u>109,684,800</u>	10.1%
HUMAN SERVICES	\$5,813,762,000	\$6,058,427,500	\$244,665,500	4.2%
Labor and Economic Growth	<u>71,354,300</u>	<u>47,436,700</u>	<u>(23,917,600)</u>	-33.5%
LABOR AND ECONOMIC GROWTH	\$71,354,300	\$47,436,700	(\$23,917,600)	-33.5%
Agriculture	28,362,700	30,062,500	1,699,800	6.0%
Environmental Quality	31,809,600	33,328,400	1,518,800	4.8%
Natural Resources	<u>25,593,200</u>	<u>25,119,600</u>	<u>(473,600)</u>	-1.9%
RESOURCE PROTECTION	\$85,765,500	\$88,510,500	\$2,745,000	3.2%
Military and Veterans Affairs	37,789,100	40,640,200	2,851,100	7.5%
State Police	<u>235,361,600</u>	<u>255,298,700</u>	<u>19,937,100</u>	8.5%
SAFETY AND DEFENSE	\$273,150,700	\$295,938,900	\$22,788,200	8.3%
Capital Outlay	4,401,900	2,200	(4,399,700)	-100.0%
History, Arts, and Libraries	41,190,100	42,800,200	1,610,100	3.9%
Judiciary	157,614,500	160,125,400	2,510,900	1.6%
Transportation	<u>0</u>	<u>0</u>	<u>0</u>	
ALL OTHERS	\$203,206,500	\$202,927,800	(\$278,700)	-0.1%
TOTAL APPROPRIATIONS	\$8,981,587,600	\$9,252,860,100	\$271,272,500	3.0%

TABLE 4
FULL-TIME EQUATED (FTE) POSITIONS*
FY 2006-07 Executive Recommendation Compared with FY 2005-06 Year-to-Date

<u>Department/Budget Area</u>	<u>Year-To-Date</u>	<u>Year-To-Date</u>	<u>FY 2006-07 vs. FY 2005-06</u>	
	<u>FY 2005-06</u>	<u>FY 2006-07</u>	<u>Amount Different</u>	<u>Percent Different</u>
Community Colleges	0.0	0.0	0.0	
Education	423.5	435.5	12.0	2.8%
Higher Education	1.0	1.0	0.0	0.0%
School Aid	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	
EDUCATION	424.5	436.5	12.0	2.8%
Attorney General	566.0	563.0	(3.0)	-0.5%
Civil Rights	141.0	141.0	0.0	0.0%
Civil Service	240.5	240.5	0.0	0.0%
Executive Office	84.2	84.2	0.0	0.0%
Information Technology	1,766.4	1,781.4	15.0	0.8%
Legislature	0.0	0.0	0.0	
Management and Budget	751.0	759.0	8.0	1.1%
Michigan Strategic Fund		152.0	152.0	
State	1,859.8	1,859.8	0.0	0.0%
Treasury: Operations	1,700.5	1,706.5	6.0	0.4%
Treasury: Debt/Revenue Sharing	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	
GENERAL GOVERNMENT	7,109.4	7,287.4	178.0	2.5%
Community Health	4,674.6	4,671.1	(3.5)	-0.1%
Corrections	17,525.2	17,828.5	303.3	1.7%
Human Services	<u>10,286.0</u>	<u>10,112.7</u>	<u>(173.3)</u>	-1.7%
HUMAN SERVICES	32,485.8	32,612.3	126.5	0.4%
Labor and Economic Growth	<u>4,410.0</u>	<u>4,265.0</u>	<u>(145.0)</u>	-3.3%
LABOR AND ECONOMIC GROWTH	4,410.0	4,265.0	(145.0)	-3.3%
Agriculture	697.0	696.0	(1.0)	-0.1%
Environmental Quality	1,573.2	1,567.7	(5.5)	-0.3%
Natural Resources	<u>2,079.5</u>	<u>2,093.4</u>	<u>13.9</u>	0.7%
RESOURCE PROTECTION	4,349.7	4,357.1	7.4	0.2%
Military and Veterans Affairs	1,023.0	1,022.0	(1.0)	-0.1%
State Police	<u>2,900.0</u>	<u>2,903.0</u>	<u>3.0</u>	0.1%
SAFETY AND DEFENSE	3,923.0	3,925.0	2.0	0.1%
Capital Outlay	0.0	0.0	0.0	
History, Arts, and Libraries	238.0	238.0	0.0	0.0%
Judiciary	509.0	509.0	0.0	0.0%
Transportation	<u>3,028.3</u>	<u>3,036.3</u>	<u>8.0</u>	0.3%
ALL OTHERS	3,775.3	3,783.3	8.0	0.2%
TOTAL FTE POSITIONS	56,477.7	56,666.6	188.9	0.3%

*Includes classified, unclassified, and nonlegislative exempt positions

TABLE 5
STATE SPENDING FROM STATE SOURCES PAID TO LOCAL GOVERNMENTS
FY 2006-07 Executive Recommendation

<u>Department/Budget Area</u>	<u>Spending from State Sources</u>	<u>State Spending to Local Government Units</u>	<u>% of State Spending from State Sources as Payment to Locals</u>
Community Colleges	287,129,400	287,129,400	100.0%
Education	13,894,500	0	0.0%
Higher Education	1,738,840,700	3,759,100	0.2%
School Aid	<u>11,706,277,800</u>	<u>11,582,641,800</u>	98.9%
EDUCATION	\$13,746,142,400	\$11,873,530,300	86.4%
Attorney General	44,155,500	0	0.0%
Civil Rights	12,454,000	0	0.0%
Civil Service	24,129,900	0	0.0%
Executive Office	5,375,500	0	0.0%
Information Technology	0	0	
Legislature	127,030,400	0	0.0%
Management and Budget	340,848,500	0	0.0%
Michigan Strategic Fund	32,014,200	6,300,000	19.7%
State	181,741,300	1,161,800	0.6%
Treasury: Operations	328,056,000	109,272,800	33.3%
Treasury: Debt/Revenue Sharing	<u>1,214,629,600</u>	<u>1,114,471,400</u>	91.8%
GENERAL GOVERNMENT	\$2,310,434,900	\$1,231,206,000	53.3%
Community Health	4,819,288,600	1,132,576,800	23.5%
Corrections	1,934,330,700	90,341,500	4.7%
Human Services	<u>1,257,765,300</u>	<u>96,930,200</u>	7.7%
HUMAN SERVICES	\$8,011,384,600	\$1,319,848,500	16.5%
Labor and Economic Growth	<u>391,343,400</u>	<u>51,370,500</u>	13.1%
LABOR AND ECONOMIC GROWTH	\$391,343,400	\$51,370,500	13.1%
Agriculture	78,461,500	3,141,000	4.0%
Environmental Quality	211,206,400	4,500,000	2.1%
Natural Resources	<u>238,162,900</u>	<u>29,182,500</u>	12.3%
RESOURCE PROTECTION	\$527,830,800	\$36,823,500	7.0%
Military and Veterans Affairs	66,842,900	120,000	0.2%
State Police	<u>366,671,900</u>	<u>19,899,200</u>	5.4%
SAFETY AND DEFENSE	\$433,514,800	\$20,019,200	4.6%
Capital Outlay	53,352,500	19,992,000	
History, Arts, and Libraries	45,581,400	14,058,900	30.8%
Judiciary	247,303,900	124,281,800	50.3%
Transportation	<u>2,225,499,100</u>	<u>1,319,045,600</u>	59.3%
ALL OTHER	\$2,571,736,900	\$1,477,378,300	57.4%
TOTALS	\$27,992,387,800	\$16,010,176,300	57.2%

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